

VZCZCXRO2686
OO RUEHCN RUEHGH RUEHVC
DE RUEHBJ #0460/01 0191155
ZNY SSSSS ZZH
O 191155Z JAN 07
FM AMEMBASSY BEIJING
TO RUEHC/SECSTATE WASHDC IMMEDIATE 3998
INFO RUEHOO/CHINA POSTS COLLECTIVE
RHEHNSC/NSC WASHDC

S E C R E T SECTION 01 OF 03 BEIJING 000460

SIPDIS

SIPDIS

E.O. 12958: DECL: 01/04/2017

TAGS: [PREL](#) [PGOV](#) [CH](#) [KN](#) [KS](#)

SUBJECT: EAP PDAS STEPHENS DISCUSSES KOREAN PENINSULA AND JAPAN WITH CHINESE SCHOLARS

Classified By: Political Minister Counselor Daniel Shields. Reasons 1.4 (b) and (d).

Summary

¶11. (C) The United States and China share the key goal on the DPRK nuclear issue of implementation of the 2005 Joint Statement, EAP Principal Deputy Assistant Secretary Kathleen Stephens told Chinese scholars January 17. Resolving the DPRK nuclear issue is an urgent priority for Beijing, the scholars said, but many in China believe the United States places its highest priority on DPRK regime change. Beijing sees American concessions on financial issues as a key to moving the Six-Party Talks forward. Stephens said the United States seeks to change the DPRK's behavior in pursuing a nuclear program and in other areas, but does not seek regime change. The DPRK seems to use the financial issue as an excuse for inaction on denuclearization. The scholars asked about A/S Hill's meeting with VFM Kim Gye-gwan in Berlin and about the likelihood of a second DPRK nuclear test. Scholars of Japanese issues said Beijing worries about the influence of the Right in Tokyo and a United States-Japan Alliance that could interfere regarding the Taiwan issue. They said the United States should urge closer Beijing-Tokyo ties and greater leadership by both in regional affairs. PDAS Stephens noted the potential for the Six-Party mechanism to play an expanded regional role once the DPRK nuclear issue is resolved successfully. End Summary.

North Korea Urgent For PRC

¶12. (C) The United States and China have common goals in denuclearizing of the Korean Peninsula and in maintaining stability in the region, but have different priorities and means for reaching those goals, scholars told visiting PDAS Stephens in a January 17 lunch meeting on Northeast Asian issues. Resolving the DPRK nuclear issue is a more urgent priority for Beijing than Washington, China Academy of Social Sciences (CASS) Deputy Director Wang Yizhou said. Washington has many international priorities, but the DPRK nuclear issue is second only to Taiwan among China's diplomatic priorities. Tsinghua University Professor Liu Jianguo agreed, claiming that Beijing considers the DPRK an urgent security issue, while Washington is focused on DPRK regime change and Tokyo seeks resolution of the abduction issue. China believes the United States should give a higher priority to the nuclear issue than financial issues, human rights and terrorism issues in dealing with the DPRK, Liu said.

United States has Sense of Urgency

¶13. (C) PDAS Stephens said the United States has a strong sense of urgency with regard to the DPRK nuclear issue. We view the current situation on the Korean Peninsula as

unstable, as illustrated by events in 2006, including the nuclear test. The 2005 Joint Statement offers great benefits to the DPRK if it is serious about eliminating its nuclear program. The DPRK has much to gain if it commits to denuclearization. The United States and China agree that the September 2005 Joint Statement provides the way forward. But, the DPRK continues not to take responsibility for actions unacceptable to the international community, such as kidnapping other countries' citizens and counterfeiting other countries' currency.

Stability Important to Beijing

¶4. (C) CASS's Wang said DPRK stability is important to Beijing because a crisis in the DPRK would influence China's development. China's sense of urgency in resolving the DPRK nuclear issue is balanced by its desire to do so in a stable manner, according to Piao Jianyi, Executive President of China's Association for the Korean Peninsula. Several years ago, the United States and Japan thought the DPRK would collapse, but the regime survives, Piao said. The United States should not pursue denuclearization and regime change at the same time because a feeling of threat has caused the North Korean people to rally around the regime, Zhou Yongsheng of the Foreign Affairs University said. PDAS Stephens agreed that the DPRK regime has proved surprisingly resilient, but this is not because its policies are working. It is kept together by outside assistance, including from China, and by the leadership's cultivation within the DPRK of a sense of an outside threat, not by the self-sufficient "juche" ideology preached by the regime.

DPRK Testing Russia, China and the United States

BEIJING 00000460 002 OF 003

¶5. (C) Li Dunqiu of the State Council's Development Research Center said North Korea's October nuclear test was intended to divide Washington, Beijing and Moscow. Agreement by these three powers puts pressure on the DPRK, he said. Li said Pyongyang might conduct a second test to show its technology is more sophisticated and to seek a strategic space for itself amongst the larger powers. The different amounts of notice Pyongyang gave Moscow and Beijing (telling Moscow first) before its October 9 test illustrate this approach of posturing among larger powers, Li said.

A/S Hill Talks in Berlin

¶6. (C) China Institute for Contemporary International Relations (CICIR) Director of Korean Peninsula Studies Qi Baoliang asked about news reports that A/S Hill was meeting with DPRK lead negotiator Kim Gye-gwan in Berlin. PDAS Stephens used Department press guidance regarding A/S Hill's Berlin meetings. She said A/S Hill, as has been announced, will soon travel to Beijing and discuss ideas on moving the Six-Party process forward. Scholars asked what the United States would do if the DPRK conducted another nuclear test. PDAS Stephens said such a test would be an extremely serious issue for Washington.

Financial Measures an Obstacle to Denuclearization?

¶7. (C) The view is widespread in China that American financial measures make the DPRK reluctant to move on denuclearization, several scholars said. CASS's Piao said financial measures are seen in the DPRK as a symbol of the United States' hostile policy toward the DPRK, which is why North Korea wants them removed before it will discuss denuclearization. The United States is strong and the DPRK weak, so small U.S. concessions could produce significant benefits, Zhou opined. PDAS Stephens said the DPRK seems to

be using the financial measures issue as an excuse for inaction on implementing the joint statement. China had acted according to its international responsibilities in the Banco Delta Asia (BDA) action. The State Council's Li suggested that USD 8 million of the USD 24 million frozen by Macao's BDA was not illegally obtained. Stephens said investigations are ongoing. Tsinghua's Liu said that ending financial "sanctions" may not automatically produce denuclearization, but China thinks ending the financial measures could avert a second DPRK nuclear test and would win sympathy and support for the American position from China, Russia and the ROK.

¶ 18. (C) Li said North Korean experts recently told him the United States lacks evidence to support its accusations of money laundering and counterfeiting. CASS' Piao noted a European press report that the money laundering charge was a "CIA fabrication." PDAS Stephens shot down these rumors, noting the United States has irrefutable evidence of North Korean counterfeiting and of DPRK government support for such activities. Criminal activity happens in all countries, but the damning element in North Korea's case is the role of the government. The financial crimes cannot be viewed in isolation, but should be seen as the latest steps in a series of DPRK illegal actions, she said.

China Concerned About Japanese Militarism

¶ 19. (C) China is worried about Japan's goal of amending its Constitution to increase the role of the military and send troops overseas, Tsinghua's Liu said. China fears Japan will cooperate with the United States to act against China's interests in Taiwan, he said. During the first half of 2007, these fears could combine with domestic politics in Japan to produce a dangerous situation, he said. The DPRK might take provocative actions and the political atmosphere in Tokyo before July Upper House elections could push PM Abe to be tough about revising the Constitution and to interfere in cross-Strait issues, Liu said. Moreover, politics in Taiwan will be unstable through 2008, increasing the risk of U.S.-China friction over Taiwan arms sales and the U.S.-Japan alliance, he said.

American Role in Pushing China and Japan Closer

¶ 110. (C) Beijing University Professor Liang Yunxiang said the United States played a positive role over the past two years in encouraging Beijing and Tokyo to resolve their differences over history, particularly over visits to Yasukuni. The

BEIJING 00000460 003 OF 003

American public and Congress made clear their concerns about the shrine in a fair way, Liang said. Neither Japan nor China can dominate the region, so both rely on the United States. America should play a more active role in pushing to bring the two closer, if only on non-security issues. China does not understand why the United States is not just maintaining, but strengthening, its alliance with Japan, now that the Cold War is long over. The United States should make it clear that it wants close China-Japan relations and it does not object to leadership by China and Japan in the Asia region. This will help the region move beyond the current unusual situation in which regional integration efforts have to be led by ASEAN rather than China and Japan. The United States should also establish a stronger security relationship with China, much like NATO's relationship with Russia, Liang argued.

¶ 111. (C) PDAS Stephens said the United States values its alliance with Tokyo and sees it as a force for stability in the region. Similarly, Japan's interest in playing a greater role in world affairs is positive. As for regional mechanisms, PDAS Stephens observed that the Six-Party mechanism could be built upon to play an expanded role if we

are able to resolve the North Korean issue successfully.

¶12. (C) Chinese scholars participating in the meeting were:

- Li Dunqiu, Director of Korean Peninsular Studies, Development Research Center, PRC State Council.
- Wang Yizhou, Deputy Director, CASS Institute of World Economics and Politics
- Qi Baoliang, Director, CICIR Institute for Korean Peninsula Studies
- Piao Jianyi, Executive President, China Association for the Korean Peninsula Issue Studies, CASS Deputy Director.
- Liang Yunxiang, Beijing University Professor of Japanese Studies.
- Liu Jiangyong, Professor of International Relations, Tsinghua University.

SIPDIS

- Zhou Yongsheng, Foreign Affairs University of China.

¶13. (U) PDAS Stephens cleared this message.

RANDT